SUSTAINABLE DEVELOPMENT THROUGH INNOVATION IN SERVICE SECTOR

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ABSTRACT: Regarding the economic crises and the slow recovery that still continues, we believe that a solution can be improving the capacity to reasearch and innovate in order to achieve sustainable development. Another key issue of the paper is about developing the cooperation between academia and business. The challenge of this development is how to increase the amount to finance reasearch and innovation that can be implemented in the economy. As a global solution, to this problem we can recommend, for example, reducing tax evasion and by fiscal education. Also particular sources have to be found in order to develop innovation on SME level.

It is essential for innovation to make quality research in order to be better prepared and increase adaptability to economic cycles. The aim of the paper is to find out how service innovation and cooperation between academia and business can enhance sustainable development indicators.

The conclusions of the paper are structured in particular proposals and recommendations.

1. INTRODUCTION

A definition for sustainable development proposed by Interfaith Center on Corporate Responsibility (ICCR)
“Sustainable development is the establishment of fair, effective and participatory structures in order to encourage development of communities and surrounding regions”. [11]

Sustainable development concept means a further elaboration of the close links between economic activity and the preservation of environmental resources. It implies a relationship between the environment and the economy, within which a key element is the consequence of environmental resources that are not “unduly” diminished. (OECD, 1990)

Careful economic analysis that will strengthen environmental protection lead to rising sustainable levels of welfare. (World Bank, 1992) [12]

There are several classifications of the existing sustainable development indicators: the OECD set includes 111 indicators, the set proposed by UE includes 123 indicators and the Canadian Index of Wellbeing includes 80 indicators. The disadvantage of such sets is the fact that they do not allow a global analysis of the situation in a country, and interstate comparisons, but only research on thematic areas, which does not provide the possibility to formulate conclusions. According to Sustainable Society foundation, which realises the index of Sustainable Society, and which in addition shows the rang of the country from the sustainable development point of view, is based on 22 indicators divided into 5 categories as it follows:

- Personal Development (a healthy life, sufficient food, sufficient water, a safe sanitary system, opportunities in education, equality between sexes)
- A clean environment (the quality if the air, quality of the water, quality of the soil)
- Equilibrium in society (good governance, unemployment, population growth, allocation of funds, debt)
- Sustainable use of resources (recycling, use of renewable water, alternative energy)
- A sustainable planet (the forests dimension, biodiversity conservation, greenhouse gas emissions, ecological footprint, international cooperation [13].

Each indicator was expressed on a scale from 0 to 10 (where 0 shows lack of sustainability and 10 a maximum sustainability). The index presents the disadvantage of only using 22 indicators, and the power to each category of the 5 is not sustained by theoretical studies, but subjective up to the author.

Next, we present FDI in first 20 out of 151 countries analyzed in the year 2010, including Romania which is on the 19th place.

Table 1 - The first 20 countries out of 151 at the level of 2010

<table>
<thead>
<tr>
<th>Country</th>
<th>ISD-2006</th>
<th>ISD-2008</th>
<th>ISD-2010</th>
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<tbody>
<tr>
<td>Switzerland</td>
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<td>Sweden</td>
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<td>Finland</td>
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<td>7.1</td>
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<tr>
<td>Latvia</td>
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<td>7.2</td>
<td>7.1</td>
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<tr>
<td>New Zealand</td>
<td>7.1</td>
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<td>Denmark</td>
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<td>Estonia</td>
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<td>Germany</td>
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<tr>
<td>Belarus</td>
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<td>Slovakia</td>
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<tr>
<td>Romania</td>
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<td>6.7</td>
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<tr>
<td>Great Britain</td>
<td>6.9</td>
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</table>

Source: Sustainable Society Index, available online at: http://www.ssfindex.com

We must take into consideration Romania’s rise from 49 place in 2006 to 19 place in 2010. We must observe the countries
that joined the EU in 2004 (with Bold in the tabel) and that engage better places in this top, specifically: Latvia 6 place, Slovenia 8 place, Estonia 11 place, Hungary 14 place, Czech Republic, Lithuania and Slovakia are on the 16, 17,18 places.

2. SERVICE INNOVATION

Now we must have the global view of what sustainable development means. As it is known there is a continous shift between services, goods and agriculture. In 2050 services will have in developed countries like 80%, goods 15% and agriculture less than 5%. Although we need innovation in all sectors, it is essential that innovation in services to be at a high level.[1]

“To be successful even as an employee in today’s global economy, one will need the drive, creativity, and innovative ideas more commonly found among entrepreneurs.” When someone decide to be an entrepreneur, it is important to figure out some pieces of information like: begin with the end in mind, where to from here, take care not to win a game that it is not suitable for you.[2]

The global crisis had worn the business world about the need to update its business models in order to survive. We strongly think that companies and states can be more competitive through research and innovation.

At the heart of business today lies a dilemma: Our economy is increasingly dependent on services, yet our innovation processes remain oriented toward products. Indeed, we have well-tested, scientific methods for developing and refining manufactured goods, but many of them don't seem applicable to the world of services.[3]

Nowadays, it is a tendency that companies outsource a lot of activities to cut expenditures, but this practice cannot make from the company a better one having innovative product and services. Core activities should not be outsourced but improved so that to became much more effective.

Companies can combine economies of scale with economies of scope. Economies of scope are different from economies of scale and describe „to the efficiencies that result from offering several items from a single source. In banking, economies of scope are referring to cross-selling.”[6]

Service innovation can be done both in large and small companies with higher speed implementation in the last category. Large companies need to consider investing in a platform in order to provide more products and services all together. When possible, small firms should do the same. Also, collaboration between academic world and enterprises need to be a successful one.

In the future, time will became more and more valuable for clients. „They will not take only products, but also services connected with the products. They will need experiences, not just stuff. To get the most out of services innovation the company has to transform the business model into a platform, that can sustain profitability and make it harder for competitors to expel your organization”[7].

“The cited study regarding the creation of an organizational innovation model, concludes that the weights of critical dimensions in measuring organizational innovation area are: technical innovation (0.416), administrative innovation (0.584), external relational innovation (0.318), internal organizational innovation (0.266), product/service innovation (0.262), and process innovation (0.154).”[8]

In order to obtain satisfactory results in innovation, the company has to make a strong research and later use the results found. In big companies, employees must take part in the entire innovation process in order to produce valuable added value to the entire chain of production management. They have to be stimulated when achieving outstanding results.

3. THE NEED OF COOPERATION BETWEEN ACADEMIA AND BUSINESS

Cooperation between academia and business has to be successful in order to generate innovation. Furthermore, both universities and enterprises have to follow state policies to obtain good results. As we already stated, service sector will develop more and more and in turn society will became more and more knowledge-based. The role of future universities will be shifting from academic development, also needed but not enough, to economic development tied with intellectual property. Even if, there are voices that do not agree adding a new purpose to universities, the entrepreneurial university is gaining ground in states like US, Asia, Latin America and Europe. [9] Our opinion is that Romania has to adapt its strategies in order to motivate universities to became entrepreneurial. In this respect, more actions have to be done. Knowledge gaps between Romania and other European countries must be reduced in a short period of time. Research and innovation have to became of great importance for
universities because the business world is changing, so academic world must change too.

4. SOURCES TO FUND INNOVATION AND RESEARCH

Companies need to allocate funds for these activities and maintain a strong connection with entrepreneurial universities. In order to achieve progress, the government should also act in this way. The problem nowadays, is that stats are facing massive public debts, so funds for research and innovation are smaller.

A solution can be, for example, through lowering the amount of tax evasion and teaching payer to have a responsible attitude towards paying taxes. These efforts have to be done on one side by the tax payers and on the other side by the government. The government has to describe in detail and with clarity how are the funds used for the benefit of the society (better conditions in hospitals, more money for research and development in strategic areas, and so on). Tax morale are directly related to how citizens are treated by tax authorities, by their trust in government institutions and by extent of popular right. [10]

5. CONCLUSIONS

The paper starts from the definitions of sustainable development and ranks Romania considering the Index of Sustainable Development.

We recommend developing innovation, especially in service sector in order to reach sustainable development. Research and innovation are two key functions that middle management and top management have to consider. Past business models need to update in order to survive in a more and more complex business world.

Academic world has a key role in acquiring good results in research and innovation. Entrepreneurial universities have to develop more and more in a changed business world which has adapted its business models. If a company is just selling goods, it has to consider also adding a service to the products sold in order to became different from the competitors. Governments can obtain the funds to finance these two important sectors by diminishing tax evasion and through fiscal education.

On the other hand, governments should be trusted by citizens and respect citizens rights.

6. ACKNOWLEDGEMENTS

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